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SUBJECT: Chancellor Merkel Clarifies Her Stance on the  
Future of Opel

REF: A) BERLIN 0214, B) BERLIN 0272

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11. Summary. Chancellor Merkel confounded critics and pledged to stand by Opel in a speech at the firm's Ruesselsheim plant on March 31. Her remarks were greeted by a standing ovation from the workers and widespread positive comment by the media. While ruling out direct government investment, the Chancellor pledged to help find a private investor, provide state credit guarantees, and form a high-powered group to conduct negotiations with the U.S. government and General Motors (GM). Berlin is reluctant to take drastic measures to ensure Opel's survival until it sees the final outcome of USG efforts regarding GM. End Summary.

#### Merkel Speaks at Opel Plant

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12. In the speech to Opel management and workers, Chancellor Merkel referred to the Obama Administration announcement regarding the future of General Motors (GM), noting that it gave the company 60 days to come up with a viable restructuring plan and pressured GM to change its management. Calling this development a mixed blessing, the Chancellor called on Opel, the state governments and the federal government, to negotiate with the Americans on a plan for Opel's future. Chancellor Merkel pledged to start immediately to lay the groundwork for an "Opel Europe" prepared to meet the future. Noting the frequent far-reaching contacts between her government and the Obama administration at all levels, Chancellor Merkel said they serve as a good basis upon which to build.

13. The Chancellor told her audience the onus is on GM to come up with reliable financing and create a new structure with sufficient independence for Opel to recover. She reiterated that it is most important that the new GM management give its European subsidiary sufficient freedom to negotiate for "Opel Europe." She dismissed calls for Opel to sever its ties to GM, stating "we need General Motors...and General Motors also needs Opel," and this is something "that we cannot...forget."

14. The Chancellor stated that for her, it is not critical what percentage of Opel belongs to GM. However, she pledged to help Opel find a private investor ("naturally with state support - not just from the federal but from the state governments") that believes in Opel and has the means to rebuild it. Merkel rejected calls for the state to take on this role because

experience showed it was not the best entity to run such a company. At the same time, the Chancellor promised to use government backed securities as a "real bridge to the future." She also pledged that her government would treat Germany's smaller parts suppliers with the same consideration as big players like Opel, stating that "everyone who has earned a chance should get a chance."

15. The Chancellor then announced that she has set up a special group under the leadership of State Secretary Homann and Economics Minister zu Guttenberg to represent German interests in negotiations with the American government and GM. In conclusion, Chancellor Merkel said that she had accepted an invitation from Opel management to make another visit in 2012 and that she fully expected that when she returns she will find "a proud, economically viable, efficient, modern, and beloved company whose workers say: we are building the future of Germany." The 3,000 Opel workers present gave her a standing ovation after the speech.

16. In their remarks, Opel Head Hans Demant asked Merkel for "state help for self-help," GM Europe head Carl-Peter Forster, thanked the government for the wrecking bonus that helped Opel sell 120,000 cars in the first quarter, and Hesse Minister President Roland Koch called on politicians to keep a positive attitude towards Opel to help it find investors. Koch also agreed to give guarantees to assist Opel, while rejecting direct purchase of shares by the state. Union Chief Klaus Franz supported Koch's plan for state credit guarantees but called for direct state investment.

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#### The View from the Economics Ministry

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17. (SBU) In a 31 March meeting with ECONMIN, Karl Brauner, the Director General of External Economic Policy at the Ministry of Economics, confirmed that Minister zu Guttenberg is prepared to entertain a rescue package for Opel, but faces strong opposition from within government circles. Dr. Brauner said that the German negotiating team was quite disappointed by its meetings with GM executives Wagoner and Henderson - saying the two had "nothing to offer - no ideas - no suggestions." Asked whether Opel would be allowed to undertake worldwide sales they could only answer "maybe." Dr. Brauner confided that Opel CEO Forster had assured him categorically that Opel will still be in business and making cutting-edge cars in 20 years.

18. (SBU) Dr. Brauner said the common wisdom was that Opel cars had over a period of years degenerated under GM management and lost their reputation for good quality and reliability, resulting in a substantial loss of market share. Brauner pointed out that in German eyes GM treated Opel very badly; EMIN countered that GM had in fact poured billions of dollars into Opel during its lean years. Sadly, Brauner noted, Opel has recently restored the quality of its cars, and its new Insignia model is highly regarded, but has lost out in the marketing battle because of its association with GM.

#### Reaction from an Opel Insider

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19. (SBU) Uwe Berlinghoff, Opel's Director of Government Relations, provided us with his reactions to the speech on 1 April. Describing the Opel reaction as "very positive," Berlinghoff remarked that Merkel was far more positive than the company had expected. Berlinghoff applauded Merkel's promises to found a working group to

intensify contacts with the USG on issues that only the two Governments can resolve and her affirmation that she wanted to use the 60 days to found an Opel Europe. Berlinghoff confirmed that the Chancellery has already asked Opel to consult on issues that Opel and GM are unable to resolve on their own.

¶10. (SBU) Likewise, Berlinghoff was not unhappy about Steinmeier's 10-point rescue plan, as it increased pressure on Merkel. On GM, Berlinghoff said Fritz Henderson has been the strong man at GM for months now and characterized him as a "man of action rather than words," with substantial experience in restructuring GM Europe a few years ago. Berlinghoff confirmed that financially Opel can hang on for another 60 days, while predicting that Opel's 2nd quarter results would be below those of the 1st quarter, as the effects of the wrecking premium start to recede.

Comment

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¶11. Comment: Merkel's speech made the best of a bad situation. First, she had to counter the 10-point Opel rescue plan that Former Minister Steinmeier's, the SPD's Candidate for Chancellor, had presented on March 30 advocating state ownership and the creation of a task force to proactively push the rescue of Opel. Merkel deftly accomplished this by appointing the Working Group under the popular zu Guttenberg. (In fact, she merely renamed the key people already working the Opel problem while adding an investment banker or two.) The Chancellor also had to balance an internal CDU/CSU dispute over state aid for Opel. She did this by promising the government itself would not take over the firm, thereby appeasing the right wing of the CDU/CSU. And finally, she bought time while the USG worked out a deal with GM. In the end, the German government will likely rescue at least a large portion of Opel. The problem is that without a private investor, it will be difficult to do so without substantial government intervention, something that would cost Merkel voters in the September elections. End Comment.

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Koenig